BOND CLOTHES

WORN BY MORE FASHION-MINDED MEN AND WOMEN

THAN ANY OTHER CLOTHES IN AMERICA

annual report

YEAR ENDED JULY 31, 1961

BOND STORES, INCORPORATED

OFFICERS

IRVING COHEN	*Chairman of the Board and Treasurer*
ELLIS H. SCHECHTMAN	*President*
IRVING MOSELOWITZ	*Executive Vice-President*
SYLVAN N. KING	*Vice-President*
MAURIE SANGER	*Vice-President*
LOUIS A. GOOD	*Vice-President*
LOUIS B. BERMAN	*Vice-President*
WILLIAM B. LOFTUS	*Vice-President*
BERNARD GROSSMAN	*Vice-President and Secretary*
JOHN B. GOETKE	*Assistant Secretary*

BOARD OF DIRECTORS

H. ROE BARTLE
IRVING COHEN
FRED F. FLORENCE*
WM. J. HAMMERSLOUGH
SYLVAN N. KING
JOSEPH KLINGENSTEIN
IRVING MOSELOWITZ
CHARLES F. PHILLIPS
MAURIE SANGER
ELLIS H. SCHECHTMAN

*Deceased Dec. 25, 1960

TRANSFER AGENT
THE FIRST NATIONAL CITY BANK OF NEW YORK
2 Broadway • New York 15, N. Y.

REGISTRAR
BANKERS TRUST COMPANY
16 Wall Street • New York 15, N. Y.

BOND STORES, INCORPORATED

FIFTH AVENUE AT 35TH STREET

NEW YORK 1, N. Y.

October 26, 1961

Dear Stockholder:

The Consolidated Balance Sheet and the Consolidated Statement of Income and Earned Surplus for the fiscal year ended July 31, 1961, set forth on the following pages, reflect the sound financial position of your Company. As of that date, total current assets amounted to $48,254,879. Net working capital was $41,814,099. The ratio of current assets to current liabilities was 7.5 to 1. Book value was $54,413,973 which is equivalent to $32.23 per share. The parent company has no bank debt and no funded debt and has no present intentions of borrowing.

Generally unsettled economic conditions, beginning early in 1960 and continuing on a progressively worsening basis throughout practically our entire fiscal year, coupled with probably the worst weather conditions we have experienced in the past 20 years, adversely affecting our business in most parts of the country during much of the same period, were among the more important factors contributing to our sales decline for the year.

Labor increases, the lag in the realization of the effects of cost reduction measures and absorption of very substantial new store development costs in connection with our accelerated store expansion program, in addition to the decline in volume, adversely affected current earnings. Accordingly, after providing for Federal income taxes and all other deductions, net earnings amounted to $1,520,321, equal to $.90 per share of common stock, compared with the previous year's net earnings of $2,556,695, equal to $1.51 per share of common stock.

While such earnings are disappointing to us, much was accomplished during the year. As part of our long-range planning, 12 new shopping center stores were opened, one existing midtown store was replaced by a larger and better located unit and two stores were closed, bringing to 111, the total number of stores in operation on July 31st, compared with 101 at the end of the prior fiscal year. Ten of these stores opened for business in the Fall of 1960 and the remaining three in the Spring of 1961. The average length of operations for this entire group of new stores during the fiscal year was approximately eight months per store. You are aware, of course, that although new stores in their first year of operations contribute toward overall volume results, current earnings are penalized to the extent of the abnormal pre-opening and development costs of such new stores. We should begin to realize profits from their operations starting with the current fiscal year.

We plan to open 11 new stores during fiscal 1961-62, all of them in important shopping centers. As of this writing, three have already been opened, one on September 14th in the Sharpstown Shopping Center, suburban Houston, Texas; another on September 21st in the Northern Lights Shopping Center, suburban Columbus, Ohio, and the third on September 28th in the Great Lakes Shopping Center in Mentor, a community suburban to Cleveland, Ohio. Performance, to date, in each case, has been satisfactory. During this last week in October or very early in November, we will open two additional new stores, one in the State Road Shopping Center, suburban Akron, Ohio, and the other in the Capital Plaza Shopping Center, Austin, Texas. The remaining six stores to be opened to complete our expansion program for the current year, subject to unforeseen delays, are expected to commence operations in the Spring of 1962.

While this would seem to indicate a concentration of expansion effort directed toward shopping centers based on an expectancy of a continuing increase of retail distribution in suburban areas, such interest in shopping center locations is not intended to conflict with either our continuing interest in additional downtown locations or our plans affecting present downtown store operations. New central city locations, renegotiation of terminating leases on more favorable terms, fixture modernization or other improvements, where required, or discontinuance of operations will, in each instance, be determined based on current or projected performance.

Capital investments during the fiscal year, amounting to $1,350,647, were made in connection with the opening of the 13 new stores referred to above, for fixture modernization and improvements in a number of our existing stores and for a part of our total fixture costs for the several new stores opened thus far in the new fiscal year. We continue to adhere to our policy of limiting capital expenditures to store fixture purchases. Major expenditures for store construction, as well as land and building improvements, continue to be the landlords' responsibility.

At the close of the fiscal year, our inventory of raw materials, work in process, and of finished products purchased and manufactured amounted to $23,751,620, an increase of $2,738,653 over the prior year-end inventory. This increase was planned (a) to provide necessary starting-up inventory for the 13 new stores opened during the fiscal year; (b) to provide starting-up inventory for new stores to be opened during the first-half of the current fiscal year; and (c) to secure the benefits of advantageous raw material purchase prices prior to increases which have since occurred. We are pleased to point out that practically our entire inventory consists of seasonally fine merchandise.

In order to provide sufficient clothing inventory to meet the requirements for our existing stores, as well as for the many new stores we plan to open, it will be necessary to devote our entire production capacity to such requirements. Therefore, until such time as added production facilities may become available, we do not plan to grant franchises to additional agency stores. In fact, we have terminated existing agency arrangements at four stores where, in our opinion, performance did not warrant continuance of operations. As of the year-end, there were 24 agency franchise stores still operating.

Last year, we informed stockholders of a plan to consolidate credit operations in several multiple store areas. Results, to date, have encouraged us to arrange to consolidate other multiple store areas. We should begin to realize considerable savings in the costs of operations of these departments after absorbing the initial consolidating expense. We expect to complete this program during 1962.

Your management has always followed a conservative dividend policy, having in mind maintaining the dividend rate, if possible, in bad years as well as in good years. Therefore, although the dividend was not fully earned, your directors voted the same dividends as in the prior year.

It is with deep regret that we record the passing of Fred F. Florence, a member of our Board of Directors since 1956. His contribution of sound judgment and wise counsel in the direction of our business, so evident during his all too few years of association with us, will be greatly missed.

Despite the recent setback to our national economy, a decade of spectacular growth has been forecast by economists generally. However, such projection, at best, should be only cautiously optimistic and must be tempered to the extent of the possible effect on our economy of current world conditions, which are obviously unpredictable. While no clear-cut evidence of a sharp pick-up in business has developed as yet, we are pleased to point out that for the month of October, thus far, on a store-for-store basis, sales are substantially ahead of sales for the same period last October. We, therefore, are encouraged and look for a sales increase during the

last calendar quarter of 1961. As the economic condition continues to unfold, we plan to take current and long-range advantage of the situation as it develops.

We are keenly aware of expanded competition and of the importance of satisfied customers in this highly competitive era. Accordingly, we are resolved to continue our policy of offering fine quality merchandise at competitively modest prices to the mass consumer. During this past year, we made many new friends and customers because we held the line and did not increase selling prices despite increased raw material and labor costs. We are proud to say, and it is a matter of record, that our retail prices are substantially below those of all others in the industry on the basis of comparable quality.

Every effort is being made to conserve our financial resources in order to continue with our accelerated expansion program. We are further resolved to maintain our dominant position in the industry, not only through such expansion, but also through continuing product improvement, style leadership and unequalled customer service.

We should like to conclude this report with an expression of thanks and appreciation to all of our employees and associates for their loyalty and cooperation, to our vendors for their dependability and to our stockholders for their confidence.

Respectfully submitted,

Ellis H. Silberstein

President

Irving Cohen

Chairman of the Board

BOND STORES, INCORPOR

CONSOLIDATED BALANCE S

ASSETS

Current Assets:			
Cash (including time certificates of deposit of $1,500,000)			$10,053,455
Short-term municipal bonds— at cost, which approximates market, plus accrued interest			1,006,756
Accounts receivable—customers		$13,529,955	
Less: Reserve for doubtful accounts		334,114	13,195,841
Miscellaneous accounts receivable			247,207
Merchandise inventories—Note A:			
Woolens, trimmings, etc.		2,228,887	
Work in process		1,455,529	
Finished goods		20,067,204	23,751,620
Total Current Assets			48,254,879
Miscellaneous Other Assets			374,064
Fixed Assets—at cost—Note B:			
Land and buildings	$9,505,862		
Less: Reserves for depreciation	2,095,513	7,410,349	
Machinery, furniture, fixtures and equipment	7,726,777		
Less: Reserves for depreciation	4,531,946	3,194,831	
Alterations, improvements and leaseholds	6,677,491		
Less: Reserves for amortization	4,498,856	2,178,635	12,783,815
Deferred Charges:			
Prepaid rent and advances to landlords on improvements to leased properties		786,491	
Unexpired insurance and other prepaid expenses		701,672	1,488,163
			$62,900,921

The accompanying notes are an i

EXHIBIT A

ATED AND SUBSIDIARIES

HEET AS AT JULY 31, 1961

LIABILITIES

Current Liabilities:			
Accounts payable			$1,977,087
Deposits and due to customers			367,976
Accrued expenses and sundry liabilities			2,856,072
Reserve for Federal income taxes—Note C			1,108,813
Mortgage bonds payable—current installments—Note B			130,832
Total Current Liabilities			6,440,780
Mortgage Bonds Payable by Subsidiary—Note B		$2,177,000	
Less: Current installments shown above		130,832	2,046,168
Capital Stock and Surplus:			
	Shares		
Preferred Stock—par value $100 per share:			
Authorized to be issued in series as designated by the Board of Directors	100,000		
Retired and cancelled	60,000		
Authorized but not designated	40,000		
Common Stock—par value $1 per share:			
Authorized	2,500,000		
Issued and outstanding	1,688,383	1,688,383	
Capital Surplus (no change during the year)		11,596,136	
Earned Surplus—Exhibit B		41,129,454	54,413,973
			$62,900,921

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BOND STORES, INCORPORATED

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

FOR THE YEAR ENDED JULY 31, 1961

Sales		$84,647,068
Cost of goods sold and stores and general and administrative expenses, exclusive of depreciation and amortization—Note D		80,850,899
		3,796,169
Add:		
Income from owned real estate before depreciation—Note E	$275,139	
Other income—net	337,539	612,678
		4,408,847
Deduct:		
Depreciation and amortization		1,268,526
Net income before Federal income taxes		3,140,321
Provision for Federal income taxes—Note C		1,620,000
Net income		1,520,321
Earned Surplus as at July 31, 1960		41,719,611
		43,239,932
Dividends on Common Stock		2,110,478
Earned Surplus as at July 31, 1961—Exhibit A		$41,129,454

The accompanying notes are an integral part of this statement.

BOND STORES, INCORPORATED

AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS AS AT JULY 31, 1961

NOTE A: Merchandise inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method as to furnishings and accessories and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. These methods for pricing the merchandise inventories are consistent with the practice of prior years.

NOTE B: A property owned by a subsidiary is subject to a first mortgage in the amount of $2,177,000, payable in quarterly installments to December 17, 1967. At said date the unamortized balance of the mortgage becomes due and payable. The Corporation is not liable under such mortgage, but is the lessee of the property under a long term lease, which lease is assigned as collateral under the mortgage.

NOTE C: The Federal income tax returns of the Corporation have been examined to July 31, 1958.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

NOTE D: The Employees' Profit Sharing and Retirement Fund Trust Agreement, as amended, provides, among other things, for (1) voluntary contributions by eligible employees, (2) contributions by the Corporation and its subsidiaries, out of net earnings for the year as defined in the agreement, based upon the participating employees' contributions, (3) additional contributions by the Corporation and its subsidiaries computed at various percentages of net earnings for the year as defined in the agreement after deducting therefrom $4,000,000 plus $1 per share for any additional shares which the Corporation may issue after December 31, 1952, excluding additional shares resulting from stock dividends or split-up of stock and (4) the right of the Corporation to discontinue contributions to the plan.

The contributions of the Corporation and its subsidiaries for the year ended July 31, 1961, amounted to $36,541.

NOTE E: This item includes intercompany rental on property partly occupied by the Corporation.

GENERAL: As at July 31, 1961, the aggregate minimum annual rental upon real property leases, other than intercompany leases, expiring after July 31, 1964, amounts to approximately $3,120,000. Certain of these lease agreements provide for additional rentals based on sales or for payment of certain expenses, such as real estate taxes and maintenance costs.

ACCOUNTANTS' REPORT

To the Board of Directors,
BOND STORES, INCORPORATED, New York, N. Y.

We have examined the consolidated balance sheet of Bond Stores, Incorporated, and subsidiaries as at July 31, 1961, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of Bond Stores, Incorporated, and subsidiaries at July 31, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y.
October 9, 1961

LOCATION OF BOND STORES AND AGENCIES

ALABAMA
BIRMINGHAM

CALIFORNIA
ANAHEIM
EL MONTE
GLENDALE
HOLLYWOOD
HUNTINGTON PARK
LAKEWOOD CENTER
LOS ANGELES (5 stores)
NORTH HOLLYWOOD
OAKLAND (2 stores)
PANORAMA CITY
SAN DIEGO (2 stores)
SAN FRANCISCO
SAN JOSE
WEST COVINA

COLORADO
DENVER

CONNECTICUT
HARTFORD
MILFORD
NEW HAVEN
*NEW LONDON
*TORRINGTON

DELAWARE
*WILMINGTON

DISTRICT OF COLUMBIA
WASHINGTON

FLORIDA
*JACKSONVILLE

GEORGIA
ATLANTA
SAVANNAH

ILLINOIS
ALTON
CHICAGO (7 stores)
HILLSIDE
KANKAKEE
SPRINGFIELD

IOWA
DES MOINES

KENTUCKY
LOUISVILLE

LOUISIANA
*MONROE

MAINE
*PORTLAND

MARYLAND
BALTIMORE (2 stores)
HYATTSVILLE

MASSACHUSETTS
BOSTON
FALL RIVER
*LAWRENCE
*PITTSFIELD
SPRINGFIELD

MICHIGAN
DETROIT (2 stores)

MINNESOTA
MINNEAPOLIS

MISSOURI
KANSAS CITY (2 stores)
ST. LOUIS (2 stores)

MONTANA
*BILLINGS

NEBRASKA
*HASTINGS

NEW JERSEY
EATONTOWN
JERSEY CITY
MENLO PARK
NEWARK
NEW BRUNSWICK
PARAMUS
TRENTON

NEW YORK
ALBANY
BUFFALO
*ELMIRA
*GLENS FALLS
HICKSVILLE, L. I.
NEW HYDE PARK, L. I.
NEW YORK (7 stores)
ROCHESTER (3 stores)
SCHENECTADY
SYRACUSE
VALLEY STREAM, L. I.

OHIO
AKRON (2 stores)
*ALLIANCE
CINCINNATI (2 stores)
CLEVELAND (3 stores)
COLUMBUS
DAYTON (2 stores)
LORAIN
MAPLE HEIGHTS
*SALEM
TOLEDO
YOUNGSTOWN

OKLAHOMA
OKLAHOMA CITY

PENNSYLVANIA
*BUTLER
*CHESTER
GERMANTOWN
*NEW KENSINGTON
PHILADELPHIA (2 stores)
PITTSBURGH
READING
SCRANTON
*UPPER DARBY
WILKES-BARRE

RHODE ISLAND
PROVIDENCE

TENNESSEE
MEMPHIS (2 stores)

TEXAS
*ABILENE
*BROWNWOOD
*CORPUS CHRISTI
DALLAS (3 stores)
FORT WORTH
HOUSTON (2 stores)

VERMONT
*BARRE
*RUTLAND

VIRGINIA
FALLS CHURCH

WEST VIRGINIA
*PARKERSBURG

WISCONSIN
WAUWATOSA (Milwaukee)

Factories in Rochester, N. Y., New Brunswick, N. J., and Meridian, Miss.

*AGENCIES

We are pleased to announce the planned opening of the following stores during fiscal 1961-1962

Black Horse Pike Shopping Center
Audubon, New Jersey

Capital Plaza Shopping Center
Austin, Texas

***Great Lakes Mall**
Mentor (Cleveland), Ohio

The Mall
Louisville, Kentucky

***Northern Lights Shopping Center**
Columbus, Ohio

Pontiac Mall
Pontiac, Michigan

Regional Shopping Center
Detroit, Michigan

River Roads Shopping Center
St. Louis, Missouri

***Sharpstown Shopping Center**
Houston, Texas

State Road Shopping Center
Cuyahoga Falls, Ohio

Wonderland Shopping Center
San Antonio, Texas

*Opened to date